

Food economies at risk of distortion by formal sector grocery retail

The [Grocery Retail Sector Market Inquiry](#), initiated by the Competition Commission, has received input from the Sustainable Livelihoods Foundation (SLF), in partnership the DST-NRF Centre of Excellence in Food Security (CoE) and the Institute for Poverty, Land and Agrarian Studies (PLAAS) at the University of the Western Cape.



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The inquiry is looking into features present within the grocery retail sector that, according to the Competition Commission's website, "May prevent, distort or restrict competition in this sector and to pursue the purpose of the Competition Act."

Multiple downgrades over the past few months, a shrinking economy and increasing levels of unemployment in South Africa have left many consumers exposed to ever-rising costs of living. The timing of this inquiry could not have come at a better time for consumers, says a release issued by DST-NRF Centre of Excellence in Food Security.

"Corporate retailers constitute an important element of the core of the South African food economy. Our submission argues that formal sector grocery retail is distorting food economies in ways which disadvantage other stakeholders of food value chains," explains SLF director and CoE affiliate, Dr Leif Petersen.

The effects of these distortions are felt both upstream in the packaging, processing and production of food as well as horizontally among informal-sector grocery retailers. The latter has impacted negatively on township grocers who are

pushed out by large corporates, which create localised grocery retailing monopolies in townships through shopping malls and large chain businesses.



Township shops 'bear brunt of unfair practices'

7 Jun 2017



“With government commonly outsourcing the distribution of SASSA grants through corporate retailers, those (retailers) operating in townships are able to maintain a stronghold in these settings through their ability to ‘capture’ essential revenue streams.”

Similarly, procurement standards and contracts of formal-sector grocery retailers set exclusionary standards that favour large, capital-intensive corporations while disadvantaging small, independent operators.

For example, the formal market is a particularly hostile environment for smallholder farmers as supermarket business practices favour large producers who can guarantee volumes and quality, according to schedules set long in advance and with the capital necessary to carry costs including labelling, standards compliance, refrigeration and transport.

“These standards disadvantage smaller producers and suppliers and hinder their ability to compete.”

Addressing challenges

However, not all is lost. The inquiry into the grocery retail sector presents an opportunity to begin to look for ways to address the challenges faced by informal traders and, in due time, look to level the playing field. Moreover, government has a big role to play in finding solutions.

“Much of the change required to level this playing field and limit the unfairness of structural conditions falls to government. One way to do this is through implementing policy to help ease the legal and technical processes for formalising informal businesses. This includes activities such as amending and relaxing town planning laws to incorporate the residential reality of township informal grocery retailing, and easing the requirements for permitting and licensing in order to bring township business into a regulatory framework.”

Without such actions, these enterprises will not have the opportunity to legitimise and grow. Furthermore, future shopping mall developments must be compelled to incorporate at least 25% (or more) space for local township businesses, and supermarkets should be compelled to carry a proportion of stock produced by smallholders.



Malls should give spaza shops rent-free spaces, Malema says

23 Jun 2017



“Equally, enhancing independent SASSA payout systems with similar reach and security should be pursued, with particular emphasis on how these can be located to enhance benefits to informal traders,” Dr Petersen concludes.

After a round of public hearings in Johannesburg, Cape Town and Durban, the grocery inquiry is in its late stages, and is expected to conclude its findings in coming months.

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